

TOWN COUNCIL

July 17, 2018

NOTICE OF SPECIAL MEETING

The West Hartford Town Council will hold a special meeting on Thursday, July 19, 2018, at 7:00 p.m. in Room 314 of the Town Hall to consider the following:

1. Public Forum
2. Discussion of Sale of University of Connecticut - West Hartford Campus and possible action with respect thereto



Per order of Shari G. Cantor
Mayor

cc: Town Council
Patrick Alair, Corporation Counsel
Matt Hart, Town Manager
Department Directors



**RESOLUTION CONCERNING THE UNIVERSITY OF CONNECTICUT
WEST HARTFORD CAMPUS**

WHEREAS, in July, 2016 the Town of West Hartford entered into an agreement with the University of Connecticut to purchase the University's West Hartford campus; and

WHEREAS, after a lengthy due diligence period and significant deliberation the Town Council determined that the acquisition of the campus was not in the best interests of the Town and voted in December 2017 to terminate the Purchase and Sale Agreement with the University; and

WHEREAS, Seven Stars Cloud Group, Inc. has entered into an agreement with the University to acquire the former West Hartford campus "as is" for a purchase price of \$5,200,000, and, among other conditions, to be responsible for all required environmental cleanup and related indemnification of the University and the State; to obtain a letter of credit of up to \$8,000,000 for the fulfillment of said clean up obligations; and to purchase a pollution legal liability insurance policy with the buyer paying the premium up to \$250,000; and

WHEREAS, the University has offered the Town the opportunity to purchase the property under the same terms as already agreed to by Seven Stars Cloud Group, Inc.,

NOW, THEREFORE BE IT RESOLVED that the Town Manager is authorized to formally decline the University's offer to purchase its former West Hartford campus under the same terms and conditions as agreed to between the University and Seven Stars Cloud Group, Inc.

(Dodge, Wenograd, Barnes)
07/19/18

Via Email Only

July 18, 2018

The Honorable Beth Kerrigan
Deputy Mayor
Town of West Hartford
50 South Main Street
West Hartford, CT 06107
beth@bethkerrigan.com

Matthew Hart
Town Manager
Town of West Hartford
50 South Main Street
West Hartford, CT 06107
Matthew.Hart@WestHartfordCT.gov

The Honorable Beth Bye
State Senator, 5th District
Legislative Office Building, Room 2700
300 Capitol Avenue
Hartford, CT 06106
bye@senatedems.ct.gov

The Honorable Andrew Fleishmann
State Representative, 18th District
Legislative Office Building, Room 3101
300 Capitol Avenue
Hartford, CT 06106
Andrew.Fleischmann@cga.ct.gov

RE: Sale of Former UConn West Hartford Campus

Dear Deputy Mayor Kerrigan, Manager Hart, Senator Bye and Representative Fleishmann:

I write to formally notify the Town of West Hartford (the "Town") that it is the intention of the University of Connecticut ("UConn") to sell all of the 58 acres and five buildings of UConn's former West Hartford campus, including the land containing the youth league baseball fields currently leased to the Town (together the "former West Hartford campus" or the "Property") to

Seven Stars Cloud Group, Inc. (“Seven Stars”) for a purchase price of \$5,200,000 and subject to other terms as described in the attached UConn Board of Trustees resolution of July 6, 2018.

UConn is not legally required to provide the Town with an opportunity to purchase the former West Hartford campus on the same terms as Seven Stars, but UConn has elected to provide the Town with that opportunity as a courtesy. Section 3-14(g) provides that Section 3-14 “shall not apply to the sale or transfer of land, an interest in land or an improvement to land under the provisions of section 4b-21.” The proposed sale is pursuant to UConn’s authority under section 4b-21(a)(3). Under section 4b-21, UConn is not required to give the Town another opportunity to purchase the Property.

Nevertheless, UConn has decided to voluntarily comply with the procedures in Connecticut General Statutes Section 3-14b(e) in this specific instance only.

UConn issued a similar notice on March 30, 2016 when it was the intent of UConn to sell the Property to a different purchaser. Then, as now, UConn was not legally required to follow the process in section 3-14b(e) but elected to do so. Accordingly, UConn is voluntarily notifying, in writing, the chief executive officer of the Town and the affected state representative and state senator for the Town of the intent of the University to sell the West Hartford campus to Seven Stars upon terms different than those previously offered to the Town. (The notice to the chief executive officer is addressed to the Deputy Mayor for the reason that the Mayor has recused herself from matters related to the Property). As a courtesy, I am also providing copies of this notice to Representatives Joe Verrengia and Derek Slap.

BACKGROUND

On December 1, 2015, President Herbst issued an initial written notice to the Town of the University’s intent to sell the Property and gave the Town the first opportunity to purchase it. The Town responded within the statutory 45-day period, i.e., on January 15, 2016, that it desired to purchase the Property. The statute further provides that within 60 days of January 15, 2016, i.e., March 15, 2016, the University would be required to sell the Property to the Town if the University and the Town agreed on the conditions of sale and the price. If this did not happen, the University would be able to sell the Property to another buyer.

In March 2016, UConn and Weiming Educational Group (WEG) signed a letter of intent. The Board of Trustees authorized the administration to simultaneously pursue a sale to WEG or to the Town.

The Town and UConn entered into a purchase and sale agreement effective July 14, 2016 to sell the Property on October 2, 2017. The purchase price was \$5 million. This agreement gave the Town permission to conduct environmental and other inspections until October 12, 2016. UConn consented to seven extensions. The final extension was granted on September 14, 2017. It established a new deadline of December 15, 2017. UConn notified the Town there would be no further extensions.

On December 13, 2017 the Town notified UConn that the Town Council had voted to terminate the agreement to purchase.

SALE TO SEVEN STARS

On Friday July 6, 2018, the UConn Board of Trustees authorized the administration to negotiate and execute the sale of the former West Hartford campus to Seven Stars for \$5.2 million and additional terms. A copy of the Board of Trustees Resolution is attached.

Because these terms are different from those previously offered to the Town during negotiations, in voluntary compliance with the statutory process, UConn has elected to give the Town a third opportunity to purchase the Property, this time on the same terms agreed to by Seven Stars. This notice begins that third process. Accordingly, the Town now has 45 days to respond whether it desires to purchase the Property on the terms described in the attached Resolution. The key terms which Seven Stars has agreed to and the Town would be required to match are:

- Purchase Price: \$5,200,000 with a 10% deposit. Seven Stars has already made the required \$520,000 deposit.
- The sale is not contingent on any further environmental investigation. The buyer agrees to purchase the property “as is” and “with all faults” and to release any claims against UConn and the State of Connecticut relating to the physical condition of the property, including environmental conditions.
- The buyer affirmatively agrees to be responsible for cleanup of the PCBs and all other environmental matters required by state and federal environmental regulators at no cost to UConn and to indemnify UConn and the State.
- The buyer agrees to have a bank post a letter of credit of up to \$8 million to provide financial security for the fulfillment of these clean up obligations. If buyer defaults, UConn may draw upon the letter of credit to provide the funds for the environmental clean-up.
- The buyer agrees to purchase a site specific environmental pollution legal liability (PLL) insurance policy. UConn and the State of Connecticut will be named insureds. UConn will specify the terms of the insurance and the buyer will pay the premium up to a total cost of \$250,000.
- The buyer agrees to close regardless of whether or not any approvals required for development of the property have been obtained.

Pursuant to the Board’s resolution, UConn and Seven Stars have executed a Purchase and Sale Agreement (July 10, 2018) which has been approved by the Attorney General. I can provide a copy upon request.

We calculate that the 45 day period from the date of this July 18, 2018 letter will expire on September 1, 2018. If the Town decides not to match the terms agreed to by Seven Stars, the University respectfully requests that the Town give the University prompt notice, rather than waiting the full 45 days.

Please contact me directly if you have questions or concerns. UConn would be very grateful to learn of the Town's decision as promptly as possible.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Richard F. Orr".

Richard F. Orr
Special Counsel

Attachment: Board Resolution re Sale of the West Hartford Campus (July 6, 2018).

Copies (with attachment) to:

The Honorable Joe Verrengia
State Representative, 20th District
Legislative Office Building, Room 3603
300 Capitol Avenue
Hartford, CT 06106
Joe.Verrengia@cga.ct.gov

The Honorable Derek Slap
State Representative, 19th District
Legislative Office Building, Room 4036
300 Capitol Avenue
Hartford, CT 06106
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Scott Jordan
Executive Vice President and Chief Financial Officer
University of Connecticut
Scott.Jordan@UConn.edu

Nicole Gelston
General Counsel
University of Connecticut
Nicole.Gelston@uconn.edu



UNIVERSITY OF CONNECTICUT

July 6, 2018

TO: Members of the Board of Trustees

FROM: Scott A. Jordan 
Executive Vice President for Administration and Chief Financial Officer

Richard F. Orr 
Special Counsel

RE: Sale of the West Hartford Campus

RECOMMENDATION:

The administration is seeking Board of Trustees approval to sell the former West Hartford Campus (the "Property") to Seven Stars Cloud Group, Inc. ("Seven Stars") for a purchase price of \$5.2 million. The essential terms are set forth below. Seven Stars has agreed that the obligation to buy (i) is not contingent on getting Town of West Hartford approval for their proposed development and (ii) is not contingent on any further environmental investigation.

On the contrary, Seven Stars has agreed to assume full responsibility for all environmental conditions on the Property. Moreover Seven Stars has agreed to back that commitment with a financial assurance and an environmental insurance policy.

Accordingly, the administration recommends that the Board of Trustees authorize the administration to negotiate and execute a Purchase & Sale Agreement with Seven Stars on the terms set forth below.

BACKGROUND:

UConn's Relocation from West Hartford to Hartford

The former West Hartford Campus occupies approximately 58 acres in West Hartford on the north side of Asylum Avenue at the intersection of Trout Brook Drive. The Property includes five buildings: the Harleigh B. Tracker Library; the Information Technology Center building; the School of Social Work building; the Undergraduate building; and a Facilities Operations building.

In the fall of 2017 the operations of the University's West Hartford Campus moved to the City of Hartford at a site anchored by the former Hartford Times building.

The University no longer needs the land and buildings which comprise the West Hartford Campus.

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Administration and Chief Financial Officer
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Sale Process to Date

There have been many steps in the efforts to sell the Property. In summary they include:

- On December 1, 2015, UConn notified the Town of West Hartford (the “Town”) of the University’s intent to sell the Property and gave the Town the first opportunity to buy the Property. The Town gave notice of its intent to purchase but the Town and UConn did not come to terms and UConn became free to sell to another buyer.
- In March 2016, UConn and Weiming Educational Group (“WEG”) signed a letter of intent. The Board of Trustees authorized the administration to simultaneously pursue a sale to WEG or to the Town.
- The Town and UConn entered into a purchase and sale agreement effective July 14, 2016 to sell the Property on October 1, 2017. The purchase price was \$5 million. This agreement gave the Town permission to conduct environmental and other inspections until October 12, 2016. UConn consented to seven extensions. The final extension was granted on September 14, 2017. It established a new deadline of December 15, 2017. UConn notified the town there would be no further extensions.
- On December 13, 2017 the Town notified UConn that the Town Council had voted to terminate the agreement to purchase. The Town forfeited its deposit of \$250,000.
- Since that termination, UConn has been marketing the Property directly. There is no real estate broker and no commission.
- A Letter of Intent was executed between UConn and Seven Stars on May 17, 2018.

Material Terms between UConn and Seven Stars

Purchase Price

Five Million, Two Hundred Thousand Dollars (\$5,200,000).

Deposit

Five Hundred Twenty Thousand Dollars (\$520,000) payable upon execution of the purchase and sale agreement.

Environmental

Testing by the Town and subsequent testing by UConn confirmed the presence of PCBs in certain building materials and in the soil surrounding certain buildings. UConn has implemented interim remedial measures, including fencing the buildings. No overall remediation has been initiated pending the sale.

Seven Stars has agreed to the following terms:

- First, the sale is not contingent on any further environmental investigation by Seven Stars. They have agreed to purchase the Property “as is” and “with all faults” and have agreed to release any claims against UConn and the State relating to the condition of the Property, including environmental conditions.
- Second, Seven Stars has affirmatively agreed to be responsible for cleanup of the PCBs and all other environmental matters required by state and federal environmental regulators at no cost to UConn and to indemnify UConn and the State.
- Third, Seven Stars has agreed to have a bank post a letter of credit of up to \$8 million to provide financial security for the fulfillment of these clean up obligations. If Seven Stars defaults, the bank issuing the letter of credit will provide the funds.
- Fourth, Seven Stars has agreed to purchase a site specific environmental pollution legal liability (PLL) insurance policy. UConn and the State of Connecticut will be named insureds. UConn will specify the terms of the insurance and Seven Stars will pay the premium up to a total cost of \$250,000. UConn expects that it will be able to obtain insurance with coverage of more than \$15 million and for a duration of 10 years.

Town Approval

Town approval will be required in order for Seven Stars to implement its development plan on the Property. Frequently a purchase contract is contingent on such approvals so that if the Town does not approve, the buyer can walk away.

Seven Stars has agreed to purchase the Property without any contingency for Town approvals.

Other Contingencies

- The University understands that Seven Stars is seeking economic development assistance from the State. This sale is not contingent on Seven Stars obtaining such assistance.
- Seven Stars has expressed interest in collaborating with UConn in technology, engineering and other matters. This sale is not contingent on any collaboration.

University Use of the Property

The Extension Service continues to occupy the former Information Technologies building. They are scheduled to move to a different location in August. Seven Stars has agreed that if that move is delayed, Extension may remain in that building until November 29, 2018 at no cost to UConn.

Ballfields

The University has leased to the Town land on the east side of Trout Brook Drive containing ballfields. The sale to Seven Stars is subject to the Town's rights to continue to use the ballfields for the remainder of the lease term. The current term expires June 20, 2020 but the Town has the right to extend the term for additional five years to June 30, 2025.

Timing

Execution of the purchase and sale agreement will follow soon after Board approval. Prior to closing, the final language of the letter of credit and insurance policy will be negotiated. In addition, certain statutory processes are required. Closing and transfer of title is anticipated to occur in early fall. Upon closing, the maintenance and operations expenses to UConn will end.

Restrictions on the Use of Sale Proceeds

The funds received by the University from the sale will likely have to be applied to capital projects and will not be available to offset operating expenses. This is for two reasons.

First, some of the bonds which financed the improvements at the West Hartford campus are still outstanding. Bond Counsel has advised that the funds received by the University from the sale of the West Hartford Campus must be rolled into other capital projects under applicable bond requirements.

Second, separate from the bond requirements, a state statute requires that the proceeds from the sale of land by constituent units of higher education be applied to a capital reserve account for capital projects. See Conn. Gen. Stat. Sec. 3-123f.

Thus, the proceeds of the sale of the Property would be available to supplement the University's existing capital projects budget, but the proceeds could not be applied for operational matters such as paying operating expenses or replacing funds lost because of rescissions to the state block grant.

The Office of the State Treasurer has confirmed that there is nothing about the proposed sale that will adversely affect any tax-exempt bond.

RESOLUTION

For the reasons set forth above, the University administration recommends that the Board of Trustees adopt the following resolution:

BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE UNIVERSITY OF CONNECTICUT:

The Board of Trustees authorizes the University's President and administration to negotiate and execute with Seven Stars a purchase & sale agreement for the sale of the Property to Seven Stars pursuant to the terms described above and such other terms as may be deemed advisable and in the best interest of the University by the University's President and administration.

The Board of Trustees further authorizes the University's President and administration to execute, deliver and perform, in the name of and on behalf of the University, such other certificates, instruments, documents, agreements and actions as each of them may deem necessary, useful or required in furtherance of the foregoing Resolution.

-END-